

## Message Text

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61-60

ACTION EUR-25

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USIAC

PASS STR FOR DONALDSON

E. O. 11652: N/A

SUBJ: DIALOGUE WITH JOURNALISTS ON GATT ARTICLE XXIV:6 NEGOTIATIONS

REQUEST CLEARANCE FROM MALMGREN, STR, FOR USIA SEND FOLLOWING  
SITUATIONER AND TALKING POINTS TO PAOS EUROPEAN COMMUNITY  
CAPITALS AND U. S. MISSION GENEVA.

BEGIN MESSAGE:

1. WE HAVE ARRIVED AT DECISIVE STAGE IN U. S./EUROPEAN COMMUNITY  
NEGOTIATIONS ON XXIV:6. EUROPEAN COMMISSION ON MARCH 27 CONSIDERED  
POSITION TO RECOMMEND TO APRIL 1-2 MEETING OF COUNCIL OF MINISTERS  
IN LUXEMBOURG. EC MEMBER STATES PERMANENT REPRESENTATIVES TAKING  
UP ISSUE MARCH 28 OR 29. JOURNALISTS IN BRUSSELS ARE GENERALLY  
AWARE THAT NEGOTIATIONS APPROACHING CRITICAL POINT. IF PAST  
BRUSSELS EXPERIENCE IS ANY GUIDE, THERE MAY BE LEAKS TO PRESS  
IN NEXT 48 HOURS.

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2. GAP STILL EXISTS BETWEEN U. S. AND COMMISSION PSITIONS AND

COULD ONLY BE CLOSED BY COLLECTIVE DECISION BY MEMBER STATES. DEPENDING UPON RESULTS IN APRIL 1-2 COUNCIL, U. S. WILL HAVE TO DECIDE WHETHER TO PUBLISH LIST OF POSSIBLE TARIFF WITHDRAWALS TO MATCH BREAKING OF GATT TARIFF BINDINGS BY THREE STATES WHICH JOINED EUROPEAN COMMUNITY LAST YEAR. PAOS CAN OBTAIN DETAILS FROM EMBASSY/MISSION ECONOMIC SECTIONS.

3. THUS FAR, BOTH U. S. AND EUROPEAN COMMISSION HAVE SUCCEEDED FAIRLY WELL IN JOINT EFFORT TO KEEP PRESS STORIES CALM WHILE AWAITING OUTCOME NEGOTIATIONS. IN NEXT FEW DAYS, HOWEVER, WE MAY SEE STORIES CRITICAL OF U. S. IN EUROPEAN PAPERS AND POSSIBLY IN U. S. PAPERS WHOSE CORRESPONDENTS DRAW ON EUROPEAN SOURCES. GENERAL LINE OF CRITICISM WOULD BE THAT U. S. DEMANDS FOR COMPENSATION ARE "ILLEGAL, UNREASONABLE, UNJUSTIFIED." TONE COULD BE SHARPENED IF CRITICISM PLACED IN CONTEXT OF WELL-PUBLICIZED U. S./EUROPEAN DEBATE OF LAST FEW WEEKS.

4. FOLLOWING IS ATTEMPT SET FORTH ANTICIPATED EUROPEAN ARGUMENTS, WE SEE THEM DEVELOPING HERE, TOGETHER WITH SUGGESTED COUNTER-ARGUMENTS WHICH MAY BE USEFUL AS FIRST LINE OF RESPONSE. USIA SHOULD CONSULT FORTHWITH WITH STR AND STATE TO DEVELOP TALKING POINTS IN DEPTH IF SITUATION WARRANTS:

5. EUROPEANS: U. S. IS DUE NO COMPENSATION, SINCE OUR FIGURES SHOW AVERAGE OF TARIFFS OF THREE NEW MEMBERS (UK, IRELAND, AND DENMARK) WILL COME DOWN AS THEY ADJUST TO EUROPEAN COMMUNITY AVERAGE. MOREOVER, THE U. S. WILL BE ADEQUATELY COMPENSATED FOR INCREASED TARIFFS IN THE AGRICULTURAL SECTOR BY DECREASED TARIFFS ON INDUSTRIAL GOODS.

U. S.: OUR ANALYSIS OF COMMODITIES ACTUALLY TRADED SHOWS WE WILL SUFFER VERY SUBSTANTIAL DAMAGE. GATT RULES PROVIDE FOR EITHER NEGOTIATED SETTLEMENT (COMPENSATION) OR OFFSETTING WITHDRAWALS OF CONCESSIONS WHERE PREVIOUSLY BOUND RATES ARE BROKEN. NO ONE DISPUTES BINDINGS HAVE BEEN BROKEN WITH MAJOR EFFECTS ON JANUARY 1, 1974 AS THREE NEW MEMBERS MOVED TO 40PERCENT ADJUSTMENT TO EC TARIFF SCHEDULE AND THE CAP ANT ITS VARIABLE LEVIES DEPRIVES US OF ASSURED MARKET ACCESS FOR AGRICULTURAL PRODUCTS. WE ACKNOWLEDGE THAT NOT MUCH WILL BE GAINED BY EACH SIDE'S CONFRONTING THE OTHER WITH ITS OWN STATISTICS.

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6. EUROPEANS: WHY IS THE U. S. BLOWING UP THIS ISSUE AT THIS TIME? U. S.: WE HAVE BEEN NEGOTIATING ON THIS TRADE ISSUE FOR EIGHTEEN MONTHS, SINCE IT WAS CERTAIN THREE NEW MEMBERS WOULD JOIN THE COMMUNITY. WE HAVE DELAYED PUBLIC HEARINGS OF EXAMINING POSSIBLE LISTS OF WITHDRAWALS TO SUCH AN EXTENT THAT WE WILL BE HARD PRESSED TO HOLD PUBLIC HEARINGS AND TO TAKE OTHER REQUIRED ACTION IN WASHINGTON BEFORE THE LAPSE OF THE SIX MONTH TIME PERIOD WHICH GATT ALLOWS FOR THE MAKING OF WITHDRAWALS. OUR POSITION,

BASED ON SOUND LEGAL ARGUMENTS, IS THAT THE SIX MONTH PERIOD BEGINS WITH THE DATE THE NEW EC MEMBER CHANGED THEIR TARIFFS, JANUARY 1, 1974.

7. EUROPEANS: BUT OUR INTERPRETATION OF THE GATT IS THAT THE SIX MONTHS' PERIOD BEGINS FROM THE DATE OF THE BREAKDOWN IN NEGOTIATIONS; I.E., THE SIX MONTHS WOULD BEGIN IN APRIL 1974, NOT IN JANUARY 1974.

U. S.: IT WILL TAKE US SEVERAL WEEKS' TIME TO COMPLETE OUR PROCEDURES PRIOR TO WITHDRAWING CONCESSIONS. WE MUST BEGIN ACTION VERY SOON, IN ORDER TO BE SURE OUR GATT RIGHTS ARE PROTECTED. OF COURSE, IF A SETTLEMENT OF THE XXIV:6 ISSUE IS SUBSEQUENTLY REACHED WITH THE EC, THE FACT THAT WE HAVE HAD PUBLIC HEARINGS WILL NOT PREJUDICE THE SETTLEMENT.

8. EUROPEANS: OTHER COUNTRIES HAVE FOUND OUR GLOBAL COMPENSATION OFFER FAIR. WHY IS ONLY THE U. S. CAUSING TROUBLE?

U. S.: OTHER IMPORTANT TRADING NATIONS (E.G., AUSTRALIA, CANADA) HAVE INDICATED THEIR NEEDS WERE NOT MET BY THE EC OFFER. THE U. S. INFORMED THE EC AT THE END OF DECEMBER 1973 THAT IT CONSIDERED THE EC OFFER INADEQUATE. THE DAMAGE DONE TO U. S. TRADE INTERESTS HAS BEEN GREATER THAN THAT SUFFERED BY OTHER TRADING PARTNERS OF THE EUROPEAN COMMUNITY; BUT IN THE INTEREST OF REACHING AGREEMENT AND DISPOSING OF THE XXIV:6 ISSUE BEFORE WE PROCEED TO THE MAJOR ROUND OF TRADE LIBERALIZATION IN THE GATT (THE MTN, OR "TOKYO ROUND"), WE HAVE SUCCESSIVELY REDUCED OUR LIST OF REQUIREMENTS FOR ADEQUATE COMPENSATION, BUT THE EUROPEANS HAVE BEEN UNWILLING TO ACCEDE TO OUR REDUCED REQUEST FOR CONCESSIONS.

9. EUROPEANS: SINCE SO MANY OF THE ISSUES DISCUSSED UNDER XXIV:6 ARE COMPLICATED, AND SINCE ON THE EC SIDE, NINE NATIONS' INTERESTS LIMITED OFFICIAL USE

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HAVE TO BE TAKEN INTO ACCOUNT, WHY DON'T WE CARRY OVER THE XXIV:6 DISCUSSION AND RESOLVE THE MATTER IN THE BROADER FRAMEWORK OF THE TOKYO ROUND?

U. S.: FIRST, THERE ARE THE U. S. LEGAL RIGHTS IN GATT. WE HAVE SUFFERED DAMAGE, AND IN THE ABS  
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